

MINUTES

**California Health Facilities Financing Authority
("CHFFA")
915 Capitol Mall, Room 587
Sacramento, California 95814**

Alternate Locations for CHFFA Teleconference Participation

**QIU Accountancy Corporation
3580 Wilshire Blvd., Suite 1126
Los Angeles, CA 90010**

**Sablan Medical Clinic
927 "O" Street
Firebaugh, CA 93622**

March 29, 2012 – 1:45 P.M.

Patricia Wynne, Chairperson called the meeting to order at 1:48 P.M.

Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer
Ruth Holton-Hodson for John Chiang, Controller's Office
Ken DaRosa for Ana J. Matosantos, Department of Finance
Judith Frank via teleconference
Samuel Qiu via teleconference
Ann Madden Rice
Ronald Joseph
Jack Buckhorn

Absent: Dr. Oscar Sablan (Teleconference line remained open)

Chairperson Wynne declared a quorum present.

Approval of the Minutes from the February 23, 2012 Meeting

Ms. Madden Rice moved approval of the minutes and Ms. Holton-Hodson seconded the motion. The motion was adopted with a 6-Aye and a 2 abstention (Mr. DaRosa and Mr. Buckhorn) roll call vote.

Executive Director's Report

Barbara Liebert submitted the Executive Director's Report for February 23, 2012 and CHFFA's top 13 borrowers for the record.

Delegation of Powers Monthly Update:

Ms. Liebert reported three HELP II Delegation of Powers actions taken: 1) Acknowledgement of a notice of merger between Seneca Family of Agencies and Canyon Acres Children and Family Services, 2) Consent of additional debt for the Last Frontier Healthcare District to purchase an electronic medical record system, and 3) Consent of additional debt for Seneca Healthcare District to purchase an electronic medical record system.

Mr. Joseph inquired about the Last Frontier Healthcare District's debt repayment performance. Ms. Liebert replied that the facility had been timely making their HELP II loan payments and that the loan retires in June 2012.

Tax-Exempt Bond Delegation Resolution Update:

Ms. Liebert reported no actions were taken regarding the Tax-Exempt Bond Delegation Resolution.

Non-Investment Grade Guidelines:

Ms. Liebert reported that the working group was making progress on the non-investment grade guidelines and anticipated bringing a recommendation before the Board at the April meeting. She further stated additional features would be added to the existing guidelines which reflect entities seeking private placement financings.

Site Visits:

Ms. Liebert noted various staff had recently engaged in the following site visits: Miller Children's Hospital, Lucile Salter Packard Children's Hospital at Stanford, UCSF Medical Center, and Stanford Hospital & Clinics.

New Private Placement Loan Program:

Ms. Liebert provided an update on a new private placement loan program that would cater to the smaller borrowers' market, ranging between one to thirty million dollar financings. The program would include standardized bond documents, the use of commercial banks, and a financing team. A working group has been established and is exploring the various issues associated with starting this new program.

Chairperson Wynne thanked staff for working on the program and asked if there was a timeline for the program. Ms. Brewer replied it was anticipated the program would potentially be in place by the Fall of 2012.

Item #4 **Memorial Health Services ("MHS"), Resolution No. 377**

Paul Dulai, Staff Analyst, introduced Mr. Rick Graniere, Chief Financial Officer and Mr. Peter Mackler, Executive Director, Memorial Health Services, Mr. John Landers, Morgan Stanley, Underwriter, and Ms. Michele Dulik, Sidley Austin LLP, Bond Counsel. MHS requested \$315,000,000 in bond proceeds to be used to (1) refund CSCDA Series 2003A Bonds, which were used for seismic upgrades, (2) implement system-wide information technology upgrades, and (3) make various system replacements and developments.

Staff recommended the Authority approve Resolution No. 377 in an amount not to exceed \$315,000,000 subject to the conditions in the resolution, including a bond rating of at least investment grade by a nationally recognized rating agency. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management, Inc., the Authority's financial advisor, concurred with the Authority's staff recommendation.

Chairperson Wynne asked if there were any questions or public comment. There were none.

Mr. Buckhorn moved approval of Resolution No. 377 and Ms. Holton-Hodson seconded the motion. The Resolution was adopted with an 8-Aye roll call vote.

Item #5**The Help Group, Resolution No. 378**

Marissa Sequeira, Staff Analyst, introduced Dr. Barbara Firestone, President and Chief Executive Officer, Mr. John Farrimond, Vice President, Corporate and Public Affairs, The Help Group, Mr. Roy Nelson and Ms. Katie Arsenio, Underwriters, Wulff, Hansen & Co. The Help Group requested \$7,500,000 in bond proceeds to be used to remodel an existing two-story building located on the Culver City campus. The construction would provide classrooms, offices, a computer lab, support facilities and a roof deck playground.

Noting the transaction would be supported by Cal-Mortgage insurance, staff recommended the Authority approve Resolution No. 378 in an amount not to exceed \$7,500,000 subject to the conditions in the resolution. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management, Inc., the Authority's financial advisor, concurred with the Authority's staff recommendation.

Dr. Firestone expressed gratitude to the Authority and stated that The Help Group's Culver City Campus was financed through CHFFA in 2000. Dr. Firestone expressed the significance of early identification and intervention for children with autism, and the importance of The Help Group's partnership with CHFFA to help access funds to make the new facility possible.

Chairperson Wynne asked if there were any questions or public comment. There were none.

Ms. Madden Rice asked about the residential aspect of care. Dr. Firestone explained that The Help Group offers specialized day school programs, out-patient programs, and residential treatment programs with an in-patient capacity of 56. The Help Group also provides services for children (1) with learning and developmental disabilities, (2) who are victims of abuse and neglect, and (3) who are experiencing emotional challenges.

Ms. Holton-Hodson noted that The Help Group received a substantial amount of income from the Los Angeles Unified School District. She asked how the school district's budget cuts would affect funding and whether the new mandate requiring autism coverage might assist The Help Group's finances.

Dr. Firestone replied that the Help Group's budget projections, in terms of enrollment, had continued to grow and that The Help Group had not been notified of any cut backs.

Chairperson Wynne asked if there were any questions or public comment. There were none.

Ms. Holton-Hodson moved approval of Resolution No. 378 and Mr. Buckhorn seconded the motion. The Resolution was adopted with an 8-Aye roll call vote.

Item #6**Tax Exempt Bond Program Fees Reduction, Resolution No. 2012-03**

Ms. Liebert, Executive Director, CHFFA introduced via teleconference, Ms. Sarah Hollenbeck and Mr. Nick Jones, Public Financial Management (PFM), Authority's Financial Advisor. Ms. Liebert stated staff was given direction by the board at the January 26, 2012 meeting to return with a recommendation for all fee categories.

Ms. Liebert presented the recommendations (for the Authority's fee schedule pertaining to private health facilities with gross revenues in excess of \$2.5 million) as follows: 1) Eliminate the current

application fee of \$500; 2) Reduce the initial fee from .075% (7.5 basis points) of the aggregate amount of the issue to .05% (5 basis points) of the aggregate amount of the issue; 3) Reduce the initial fee cap from \$300,000 to \$100,000; 4) Reduce the annual administration fee from .02% (2 basis points) of the bonds outstanding to .0175% (1.75 basis points) of the bonds outstanding; 5) Eliminate the renewal extension fee of \$500; 6) Keep the rest and remainder of the program fee schedule unchanged, and 7) Revisit the schedule in one year and annually thereafter to evaluate the impact of the proposed changes and the realities of post-issuance compliance responsibilities.

Charts provided to the Board outlined CHFFA's fees compared to other issuers, as well as current and projected fund balances, current and projected expenses, and projected revenue streams. Ms. Liebert commented that the recommended fee reduction would make the Authority more competitive with other issuers.

There were several questions from board members regarding current and projected fund balances and its uses, existing operations and projected revenue streams related to the Authority's ability to sustain the recommended reductions in fees revenue.

Ms. Liebert addressed various nuances in the graphs in response to the posed questions, including noting the ebb and flow of business associated with the Authority's lengthy resolution of the pass-through issue throughout FYs 2006/2007 and 2007/2008, the increase in business associated with the auction and various rate security challenges in FYs 2008/09 and 2009/10 and the delay in annual fee billings for FY 2008/2009 causing the same to be reflected in FY 2009/2010. Ms. Liebert stated she would report additional information at the next meeting if further research provides added helpful information. Ms. Hollenbeck also offered to further explore the cause of some of the fluctuations.

Ms. Madden Rice stated that the Authority needs to be competitive and that lowering fees would allow borrowers to use the money to serve more people. Ms. Madden Rice further suggested the reduction in fees be thoroughly re-evaluated in five years. Ms. Liebert suggested that staff return to the board on an annual basis and also in five years to re-evaluate the fee schedules.

Ms. Liebert asked STO Legal Counsel for guidance on taking action on the item prior to drafting a resolution. Mark Paxson, State Treasurer's Office, Legal Counsel, replied that the Board could take action to ratify the resolution at the next Board Meeting.

Mr. Joseph asked if the reduction and fee waivers for the larger borrowers presented an inconsistency with the way the Authority charged smaller borrowers.

Ms. Liebert replied there was an inconsistency and the Board could make a recommendation to reduce the fees for the smaller borrowers as well, which could be incorporated as part of the resolution.

Chairperson Wynne asked if there were any questions or public comment. There were none.

Ms. Madden Rice moved approval of Resolution No. 2012-03 and Ms. Holton-Hodson seconded the motion. Mr. Buckhorn opposed the motion and requested more time to review the information presented and to explore other options, including legislation to move money from the Authority's Fund Balance to the HELP II Loan Program Fund Balance.

Mr. Buckhorn objected to the motion and suggested the following 1) a trigger to increase fees back to a sustainable level, 2) a fee holiday and promotion of the lower fees to potential borrowers for one to two years, and 3) request the legislature to move money from the Authority's main fund balance to the Authority's HELP II loan program fund balance.

Ms. Madden Rice amended her motion to include Mr. Buckhorn's suggestion of a trigger of three years of operating expenses as a bottom line if the fund balances slipped below that level. The Resolution was adopted with a 6-Aye, 2-No (Judith Frank and Samuel Qiu) roll call vote.

Mr. Joseph secondarily moved approval to reduce the application and resolution fees for all borrowers to make it consistent across the board. Ms. Madden Rice seconded the motion. After a lengthy discussion, Chairperson Wynne asked if there were any questions or public comment. There were none. The Resolution was adopted with an 8-Aye roll call vote.

Ms. Frank and Mr. Qiu stated they were in support of fees reductions. However, they were not comfortable with the combination of the items presented.

Item #7 **HELP II Loan Program and Maximum Loan Amount**

Jim Rennie, Staff Analyst, reported that staff had reviewed the HELP II Loan Program to determine if the program could support increasing the cumulative current loan amount from \$750,000 to \$1,000,000. Mr. Rennie acknowledged that by increasing the maximum cumulative loan amount outstanding for any one borrower, the Authority would be increasing the risk exposure to the loan portfolio. Staff recommended financial eligibility criteria and to place a mechanism to safeguard the fund balance with a minimum floor of \$6,000,000 – as set forth more particularly in the staff report.

Ms. Holton-Hodson suggested staff also consider possible future requests of the legislature to transfer funds from the Authority's fund balance to the HELP II loan fund balance. She also recommended staff pursuing a more aggressive outreach effort to reach more borrowers.

Carolyn Aboubechara, Staff Analyst, provided the board with a detailed description of CHFFA's marketing plan.

Chairperson Wynne asked if there were any questions or public comment. There were none.

Ms. Frank moved approval and Mr. Qiu seconded the motion. The motion approved staff's recommendation to (1) increase the cumulative loan amount from \$750,000 to \$1,000,000, (2) perform annual reviews, as well as a five year review, and (2) impose a floor of \$6,000,000. The resolution was adopted with an 8-Aye roll call vote.

Item #8 **Other Business**

There was no other business presented. Chairperson Wynne asked for public comment. Hearing none, the meeting was adjourned at 3:35 P.M.